





Commercial Village Stores (CVS) Project Update Brief

Overview

Marketing environments within which smallholder producers in Africa operate has predominantly presented numerous challenges drastically reducing competitive trading platforms for smallholders. Highly unstructured systems, subsistent-orientation and weak market governance are a major drawback to smallholder business growth whereby commercialization is limited to large and medium scale producers therefore characterize agricultural production in Africa. The market failure has resulted in smallholders not receiving recognition as respectable players in most food value chains and reducing then to mere price-takers and non-participants along value chains with low bargaining power hence high exploitation by middle-level market players. Several players along various levels of market intermediation ordinarily lead to increased value chain inefficiency, which characterizes most food crop chains.

The shift towards market-driven policies, market liberalization, the reduced role for the state in marketing systems, changes in consumers' purchasing power, urbanization and the modernization of agri-food chains are primary drivers that require strengthening if smallholders are to secure a market-space in the future. Smallholders are the drivers of the agricultural systems in Africa, however, weak or lack of farmer organizations among the poor communities has ultimately led them to be less attractive to large-scale buyers. Marketing of food crop commodities is further affected by seasonality since peak periods are dictated by factors beyond the farmers control with the market forces of demand and supply exerting pressure on producer prices. An intervention to reorganize smallholders and re-govern agrotrading systems is critical for competitive inclusion of smallholders in Africa.

Grain Stored in a Cocoon; Tigania



Assorted grain for storage



Introduction

Farm Concern International (FCI) with financial support from USAID/COMPETE has designed and currently implementing the Commercial Villages Stores (CVS) Programme in Kenya and Uganda aimed at graduating smallholders from subsistent farmers to market-led producers and active chain agri-food participants. Through the CVS programme, FCI is mobilizing villages to establish villagebased storage facilities for a wide range of cereals and tropical legumes. Increasing storage capacity of lowerend producer's is a critical intervention for value chain efficiency, reduced post-harvest losses, food security and sustainable access to markets.

The pilot project phase commenced in September 2009 and is aimed at triggering innovative market driven and private sector initiatives for developing sustainable smallholder commercial production and market access of various grain commodities including maize, beans, green grams, cowpeas, pigeon, and sorghum among others.

Grain market chains are highly inefficient with several trading levels,

weak partnerships, poor standards and ignores the role of the producers. Price instability has continually increased with highest price drops and price cuts traced at the farm-gate while value chain players vigorously protect profit margins at the expense of producer profitability. Α key barrier smallholder realizing profitability has business practices been the middlemen whereby they hoard during peak seasons and speculate on prices. If market forces fail to work to the middlemen's favour then an artificial deficit effectively manipulates the market forces and drastically increases the supply chain instability.

Therefore Commercial Village Stores establishment by FCI in collaboration with COMPETE is envisaged to address challenge further achieving functional trading systems at the village level, increasing trade competitiveness of villages and increasing incomes for smallholders. There are four project sites in Kenya including Tigania East, Tigania West, Tharaka, Igoji and five sites; Katerera, Burere, Rwengwe, Karungu and Kichwaba in Western Uganda.

Villages Turned Into Economic Hubs - Commercial Villages



Commercial Village Stores Establishment

The targeted communities are being mobilized to transform typical social villages to commercial trading blocs 'Commercial Villages' with neighbors evolving into business partners to enhance their capacity to bulk grain and achieve significant volumes.

The first quarter of the project spanning from September to October 2009 was largely geared towards mobilization and recruitment of community members. The project launch

coincided with the end of the harvest season in Eastern Kenya and mid of the planting period in Western Uganda and as such more emphasis was on community awareness creation and sensitization. This was done through various forums and media organized by FCI field staff including barazas, commercial village meetings, field days and local FM radio stations. A total of 11,500 grain producing smallholder farmers have been mobilized in both Kenya and Uganda and organized into Commercial Villages.

Baseline data on production and marketing of grain was also collected at the inception of the project in both sites.

Tigania, Tharaka and Igoji-Kenya; In Tigania, Tharaka and Igoji; Eastern Kenya total of 10,200 farmers have been organized into 22 Commercial Villages and further structured into Commercial Producer Groups (CPGs) of

Bushenyi-Uganda; Commercial Villages and Producer Groups have been organized in Katerera, Burere, Rwengwe, Karungu and Kichwaba. FCI staff have been working in averagely 25 neighborhood farmers. In Tigania, Mugambo FM, a local FM radio station was used to create awareness about Commercial Villages Stores establishment.

collaboration with Uganda National Agricultural Advisory Services (NAADS) and the Local sub-county councils to sensitize farmers

Capacity Building

Grain Storage requires proper understanding and application of post harvest handling / management. Therefore the project implementing team has been taken through a series of training and capacity enhancement on grain handling, post harvest management and storage including quality control and inventory management at a TOT level. Training of implementing staff on EAC maize standards In addition selected community members/farmers referred to as Community Technical Farmers (COTeFs) have been identified and their capacity enhanced on grains production, handling/post



Commercial Village Farmers Forum in Igoji

harvest and marketing. Various committees including production, storage, marketing and finance with representation from all the households have been formed at the primary group level referred to as Commercial Producer Group (CPG) and their capacity is being built on their specific roles and duties. Agronomic support on good agricultural practices for grains is being disseminated by FCI collaboration with various stakeholders including the Ministry Agriculture (MOA) in Kenya and NAADS in Uganda.

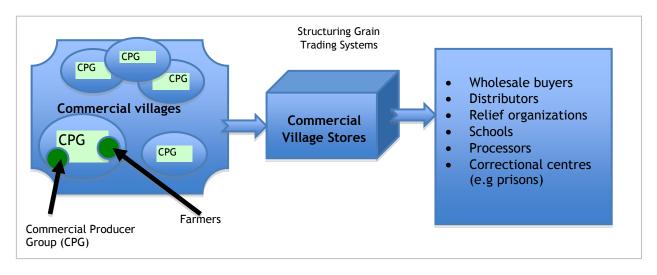
Market Development

Commercial Villages approach aims at value streamlining chains smallholder producers as key players in the chain with ability to effectively and efficiently supply to key market segments. The market for grains in the target regions has been segmented into (institutional) buvers informal buyers. The primary target for structured grain marketing targeted by the project are the formal buyers who have traditionally not preferred to deal with smallholder producers due to high levels of inefficiency associated with smallholder farmers. Key players have been identified and approached for

strategic partnership with commercial villages. The buyers have also indicated their product specifications and key success factors which form the basis for farmer training on quality among other product attributes considered by key buyers. For the informal market segment, wholesale traders are being linked to buy directly, in a more organized way, from the commercial village stores with an aim eliminating brokers at farm gate. Buver-seller forums have been conducted between commercial village marketing committees and potential wholesale buyers in both project sites.

Tigania, Tharaka and Igoji-Kenya; The key formal buyers already engaged in discussions include PISU, ETC, WFP/P4P, INSTA, NCPB, Afya Millers, Meru Central Multipurpose Cooperative Society, Meru Teachers Training College, Igoji Boys School and St. Pius Seminary. Other major wholesale traders such as Alice Kagendo, Shadrack Mwati with monthly capacities of average of 1000MT each have held buyer-seller forums with commercial villages for direct linkages. Previously they have been sourcing from individual farmers through a network of farm gate brokers eroding producer prices further.

Bushenyi-Uganda; The main buyers identified for linkages with commercial villages in Busheny are Numa Feeds Company, Unga 2000, Birungi Millers, Gombya Millers and Bolax enterprises. Bolax Enterprises a major wholesaler in Uganda with various outlets including Bolax Kampala, Kasese and Kamwenge has already been linked to commercial village farmers and made purchases of over 20MT of grain (maize and beans) during this season.



Sales and Price Trends

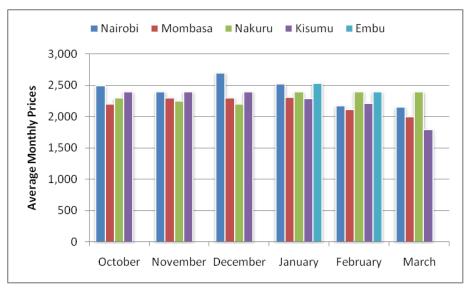
An estimated 860 metric tones of assorted grains at gross revenue of Shs. 30,618,000 has been achieved during the current harvest season (January- March) in Meru and Tharaka regions.

Table 1: Sale volume and values (Meru & Tharaka)

Commodity	Quantity (MT)	Average Unit Price	Value (Shs)
		/ Bag (Shs)	
Maize	520	1,300	6,930,000
Green grams	52	7,200	3,744,000
Sorghum	80	1,800	1,440,000
Cow peas	48	2,700	12,960,000
Beans	120	3,420	4,104,000
Pigeon peas	40	3,600	1,440,000
Total	860		30,618,000

However, it is worth noting that the season was affected by prolonged rains (still ongoing) and hence grains' drying is yet to be achieved at optimal levels. Much of the grain has not yet attained the require moisture levels for selling or storage. It is therefore expected that the selling period will prolong, however there is currently a bumper harvest exerting a down ward pressure on prices; maize prices are currently at an average of KShs. 1,300(USD 16) per bag in the region. The same scenario is being experienced in Bushenyi Uganda with maize producer prices averaging UShs. 200-250 per Kg.

Fig 1: Dry maize market price trends



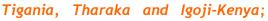
Data Source: Ministry of Agriculture

Market prices for most grains have been on a downward trend as it's currently peak season. However, this scenario presents an opportunity for grain bulking and proper storage at the producer level for speculative purposes and sale at higher prices during off-peak seasons. The current phase of the project (quarter 3) will therefore embark on grain bulking, storage, capacity building and business transactions with pre-identified buyers willing to purchase from the organized commercial villages as well as formalization of business partnerships.

Post Harvest Management and Storage

Appropriate store management equipment and tools including moisture meters, oxygen meters, weighing scales, collapsible drying cases have been put in place and the stores have been fitted with dunnages. Fencing has been erected around the cocoons and security services employed by the community members. Proper record keeping at the various levels; individual farmer level, GPG level as well at the stores has also been initiated. Records to be kept include pass books, inventory cards, ledgers, delivery notes, invoices, sales orders and receipts.

Commercial village storage management committees together with FCI staff are in charge of storage and quality control. Capacity building of COTeFs and farmers on enhanced grains handling is underway with quality checks at the group level as well as at the stores. Commercial Village Volunteers will be developed to offer voluntary services during grain reception while Commercial Village Assistants will be developed to offer specialized services such as grain inspection and quality control.



Community storage facilities including 2 stores and 2 cocoons, hermetic technology under pilot testing, in Meru (Tigania East & Igoji) under the project have been established. In addition, commercial village farmers are providing other supplementary stores in their respective groups with improved storage technology. These include a coffee factory store provided by Mlango



Grain Stacking in Igoji

commercial village, Catholic church store at Kianjai among others *Bushenyi-Uganda*; In Uganda, 2 stores and 2 cocoons in Uganda (at Katerera and Bukwesu) have been established. Scale up of improved storage is underway with some farmers providing for additional stores in their groups to enhance grain bulking and improved grain handling.

Business Support Services

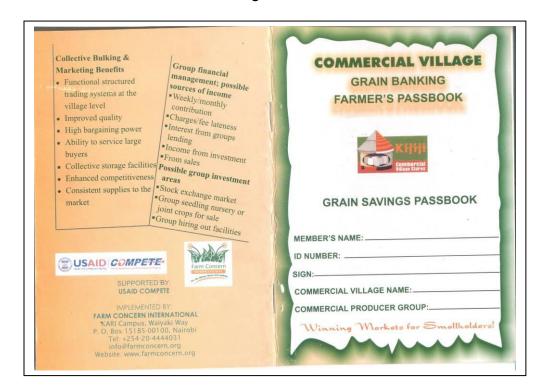
CVS establishment has led to a dynamic revolution in access to key support services by the target smallholder farmers. Business support services are being leveraged from key stakeholders including the Ministries of Agriculture, Input suppliers and financial service providers across the two countries. FCI has also established good working

relations with the local government administrative offices with some of the stores set up in the local chief's and sub-county offices in the project sites.

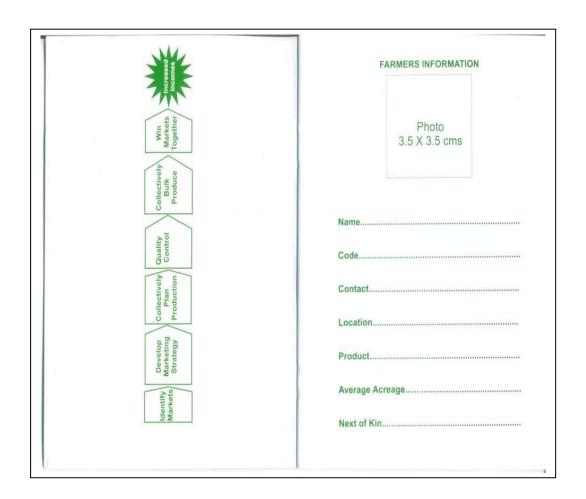
Tigania, Tharaka and Igoji-Kenya; Improved seeds varieties were distributed by FCI staff to over 2000 commercial village farmers in Igoji through collaboration the Ministry of Agriculture. Farmers were also contracted to multiply seeds by Simlaw Seed Company in Tharaka. CPG's have been linked to input suppliers enabling them to collectively purchase inputs (seeds, storage chemical, fertilizer) at discounted prices.

Record Keeping / Transactional Documents

Trading at the village level is being enhanced through proper record keeping with the following documents in place. Commercial village farmers' capacity in record keeping is being enhanced through training



Grain Banking Farmer's Passbook



A DATE OF DELIVERY	B TYPE OF GRAIN	C AMOUNT OF GRAIN	DELIVI D PREVAILING PRICE	E	SIGNATURE OF FARMER	SIGNATUR OF CV OFFICIAL
		-	-			-
		_				
						-
			-	-		
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			-			
	f CV Official			Date		
		AMOUNT OF GRAIN BEING PAYED	PAYMENTS/S	Date	SIGNATURE OF FARMER	SIGNATURE OF CV
Signatur	e	AMOUNT OF GRAIN	PAYMENTS/S	Date	SIGNATURE	
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The Power	of Commercial Villages
The Power of Nu 2000 farmers x	mbers 5 bags = 10,000 bags (900Metric Tanes)
The Power of Sav Shs. 1000 per mo	ving nth x 2000 farmers x 12 months = Shs.24, 000,000
The Power of Co Shs.5000 of inpu 000,000	llective Input Purchase its x 2000 farmers = Shs.10, 000,000 with a 20% quantity discount = Shs
	heduled Production ¼ acre = 1,500 acres

Invoice

1	INVOICE	Farr	n Concern
	a	No.	
QTY	PARTICULARS	UNIT	TOTAL
	- Positive see		
			179
-			100
			177
E&OE	Sub To	ntal	100
		Tax	
	TO	TAL	
☐ CASH	Amount in Words JE No.		

Delivery Note



Sales Order Form

	s order form	No. Date: Marketing	Rep:	
Contacts:		Deliver To: Delivered By:		
QTY	ITEM/DESCRIPTION	ITEM	UNIT	SUB TOTAL
		Total er Charges		

Receipt

Kijîji Ezmarcul Fizas Ulrus	Farm Concern KAR Comput. Welyaki Way P. O. Box 15185-00100. Notecli. Kenya Tel: +254-20-4444031. A75122F, 0725-495818 Infolitform concern.org		Farm Concern
No.		Date_	
Received from			
The sum of shillings	<u> </u>		
being payment of			
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		With thanks	
Kshs			
Cash/ Cheque No.			